

WORLDCom

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August 17, 2001

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Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY**

Re: EX PARTE -- CC Docket No. 01-138: Application of Verizon Pursuant to
Section 271 of the Telecommunications Act of 1996 to Provide InterLATA
Service in Pennsylvania

Dear Ms. Salas:

On behalf of WorldCom, Inc., the enclosed memorandum provides additional detail about the specific shortcomings of Verizon's electronic bills in Pennsylvania at the request of Commission staff. WorldCom's analysis shows that Verizon's electronic bills were not adequate at the time it filed its application for section 271 authorization for Pennsylvania, and are still not adequate today. Confidential and redacted versions of this memorandum are being submitted with appropriate cover letters with the understanding that the confidential material will be fully protected by the Protective Order established specifically for this docket (CC Docket No. 01-138; DA 01-1487, rel. June 21, 2001) and that the requirements for review and use of this document will be fully satisfied.

In accordance with section 1.1206 of the Commission's rules, 47 C.F.R. § 1.1206, an original and one copy of this Notice are being filed with your office.

Sincerely,



Keith L. Seat

Enclosure

cc (w/confidential encl.): Dorothy Attwood, Robert Tanner, Brent Olson, Richard Lerner, Aaron Goldschmidt, Susan Pie
cc (w/public encl.): James J. McNulty (PUC), Kelly Trainor (DOJ), Ann Berkowitz (by fax)

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ENCLOSURE

Verizon's Electronic Bills Are Unacceptable

Electronic billing is an issue that has long been squarely before Verizon, and which it has no excuse for not fully resolving prior to filing its application. WorldCom sought electronic bills from Verizon for years, and repeatedly brought the issue up with Verizon directly and in regulatory proceedings. As the Pennsylvania PUC acknowledges, WorldCom criticized KPMG's billing analysis in evaluating KPMG's report. PUC Reply Comments at 4-5. Moreover, a number of CLECs, including WorldCom, criticized Verizon's electronic bills when the Pennsylvania 271 hearings began in February 2001, only months after Verizon finally provided its first electronic bills to CLECs.

Verizon tries to hide behind its assertion that the amounts at issue from problems with its electronic bills are not competitively significant. But even if this were true, which it is not, Verizon ignores fundamental problems with its bills that cannot be measured in dollars and cents and certainly cannot be dismissed as insignificant. Verizon's claim that CLECs have complained about only minor inaccuracies on their bills is audacious given that it is Verizon that has prevented CLECs from fully auditing their bills in order to determine the full scope of potential problems:

(a) Verizon has repeatedly transmitted bills with formatting problems that have precluded the bills from loading in WorldCom's systems at all. Lichtenberg Decl. ¶¶ 18-23. Verizon has left blank fields that must be filled in according to its own business rules; it has filled in other fields incorrectly. As a result, WorldCom has had to manually enter dummy information in the bills to allow them to load in WorldCom's systems at all and to enable WorldCom to begin the auditing process. This problem has continued in recent months. Although Verizon has transmitted some bills, such as the May and July 2001 UNE-P bills, that load without a problem, other bills still do not load. The June UNE-P bill and July facilities bills had formatting problems that prevented them from loading properly. (Lichtenberg Decl. ¶ 26; Lichtenberg Reply Decl. ¶ 21.) The June UNE-P bill had a blank "LPC Type Indicator" field; the May and July facilities bills had blank "Facility Charge Type Indicator" fields. WorldCom opened trouble tickets on these bills. Verizon ignores this problem entirely in its reply comments.

(b) Verizon has not shown its ability to transmit auditable bills. In the three months prior to its application, Verizon had transmitted only one UNE-P bill to WorldCom, the May bill, that was even partially auditable. Thus, Verizon certainly had not demonstrated its ability to transmit auditable bills prior to its application. There was a severe limit on WorldCom's ability to audit even the May bill, a limitation that continues to exist in the June and July UNE-P bills. Because Verizon transmitted more than 65,000 lines under a single Billing Account Number, WorldCom could not audit much of the information on the bills. WorldCom uses normal off-the-shelf auditing software that has a 65,000

line limit but Verizon's bill had more than 200,000 lines of data in several sections. (Lichtenberg Decl. ¶ 25; Lichtenberg Reply Decl. ¶ 23.) Verizon has not yet even agreed to divide WorldCom's UNE-P bills into multiple BANs to enable WorldCom to fully audit the bills and does not discuss the issue in its reply comments. (Lichtenberg Reply Decl. ¶ 24.) The result is that through Verizon's own conduct, WorldCom is unable to determine the accuracy of much of Verizon's bills.

(c) When Verizon's bills have formatting problems or other problems, Verizon, unlike other LECs, will not retransmit the bill. Thus, WorldCom must make manual corrections itself and, even if it is unable to do so, will not receive a new bill. Verizon never retransmitted the June and July bills that had formatting problems, for example.

(d) Verizon fails to transmit some bills altogether. WorldCom opened a trouble ticket on July 20, 2001 for three bills that Verizon has failed to transmit, including a July 1 bill. (Lichtenberg Reply Decl. ¶ 28.)

Moreover, contrary to Verizon's contention, WorldCom has contested significant portions of its bills in April, May, June, and July 2001:

April. The UNE-P bill was completely inauditable as a result of the USOC issue. As a result, WorldCom contested the entire bill. Prior to April, WorldCom had paid even inauditable bills because it understood that Verizon would eventually retransmit those bills in auditable format and WorldCom could then contest any overpayments. Because it learned in April that Verizon would not retransmit inauditable bills, WorldCom contested the entire bill. Thus, there is an outstanding dispute of several million dollars for the April bill.

May. Although WorldCom was only able to partially audit the May bill, WorldCom paid most of the bill and only withheld the specific amounts it determined to be inaccurate:

(a) Verizon included a late payment charge of \$117,493.99, which amounts to *** percent of the total bill. WorldCom does not know whether this charge was imposed because WorldCom was contesting the April bill or because Verizon believed it received late payment on a different bill. In the past, Verizon has sometimes erroneously reported WorldCom payments as late until WorldCom provided check numbers and showed Verizon that it had received (and cashed) the checks on time.

(b) Verizon overcharged WorldCom by \$727,075.50 in port charges, or *** percent of the total bill. This is a cumulative amount that includes charges from prior months. Verizon apparently disagrees with WorldCom's assessment of the amount, but this disagreement results from Verizon's ongoing failure to enable CLECs to order electronically the lower priced port and from its failure to

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provide bills that enable CLECs accurately to audit the credits Verizon is to make as a result of improperly charging CLECs for the higher priced port.

(c) Verizon included a tax charge of *** even though WorldCom is not subject to tax. Although this amount is small, it is evidence of Verizon's ongoing failure to fix problems that have been clear for a long time. Inaccurate tax charges were discovered by KPMG and later ostensibly fixed. CLECs complained about inaccurate charges during the section 271 hearings. Yet Verizon continues to charge CLECs taxes they do not owe.

June. A significant portion of the June bill is in issue:

(a) Verizon imposed a late payment charge of \$167,851.54, or *** percent of the total bill. WorldCom does not know why Verizon assessed this charge given that WorldCom paid its May bill on time. WorldCom has contested this charge.

(b) Verizon overcharged WorldCom by *** in port charges, which is *** percent of the total bill. Again, this disagreement results from Verizon's ongoing failure to enable CLECs to order electronically the lower priced port and from its failure to provide bills that enable CLECs accurately to audit the credits Verizon is to make as a result of improperly charging CLECs for the higher priced port.

(c) Verizon imposed an erroneous tax charge of ***. Verizon still has not fixed this problem.

July. Even in July, the situation is little better:

(a) Verizon overcharged WorldCom by *** in port charges, which is *** percent of the total bill. Once again, this disagreement results from Verizon's ongoing failure to enable CLECs to order electronically the lower priced port and from its failure to provide bills that enable CLECs accurately to audit the credits Verizon is to make as a result of improperly charging CLECs for the higher priced port.

(b) Verizon imposed an erroneous tax charge of *** , once again demonstrating that this problem continues.

Thus, while Verizon claims to have "substantial experience in providing carrier bills to CLECs" (Verizon Reply Br. at 11), its experience consists of provision of inauditable, inaccurate, untimely electronic bills. There is no dispute that Verizon must provide accurate, timely electronic bills, nor that Verizon failed to do so prior to May 2001 and later. Indeed, in its reply comments, the Pennsylvania PUC states that "[w]e credited Verizon's assertions that the problems with the e-billing accuracy had been or would be addressed upon implementation of the scheduled modifications in June." PUC

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Reply Comments at 3. Clearly, the PUC did not believe that Verizon had demonstrated its electronic bills were adequate prior to filing but instead relied on Verizon's future promise. Even if the June changes were relevant, Verizon itself has acknowledged the need for multiple billing cycles to demonstrate the success of those changes. But even today Verizon has not had multiple billing cycles with auditable, accurate electronic bills, for Verizon's current bills continue to have problems.

WorldCom, Inc.
August 17, 2001